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1 Ralph W. Brenner, Esquire  
 2 Q. And if Coopers & Lybrand had informed you  
 3 that the fiscal year 1996 or 1997 financial  
 4 statements that had been presented to them for audit  
 5 had been intentionally misstated by management,  
 6 would that have been something that would have  
 7 concerned you?

8 MR. FRIESEN: Objection. I think you  
 9 asked that one already.

10 MS. MEADEN: If I did, I think I asked  
 11 materially misstated; now I'm asking intentionally  
 12 misstated.

13 MR. FRIESEN: Okay. Still object to it.

14 A. I'm telling you maybe I'm an old fart, but  
 15 any indiscretion, no matter how minor it was, in any  
 16 of my fiduciary relationships, I don't have much to  
 17 offer in this world, but I do have my integrity and  
 18 I would not tolerate under any circumstances any  
 19 questions whatsoever if they came to our -- my  
 20 attention, and I was -- tried to do as scrupulously  
 21 as I could to look at whatever information was  
 22 provided to me so that I could make a judgment based  
 23 on that information and that was what I utilized to  
 24 do that, and if there was any minor thing brought to  
 25 my attention, I would ask that it be looked into

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1 Ralph W. Brenner, Esquire  
 2 fully and that the board and I have an opportunity  
 3 to evaluate that circumstance and make a decision,  
 4 whatever it may be.

5 Q. And at no time during your tenure on the  
 6 board of AHERF did Coopers & Lybrand ever bring any  
 7 such indication to you?

8 MR. FRIESEN: Objection.

9 A. Not that I'm aware of.

10 MS. MEADEN: Thank you. That's all I  
 11 have.

12 BY MR. FRIESEN:

13 Q. I just have --

14 A. Two hours of questions?

15 Q. -- very few questions.

16 You referred to -- this is going back to  
 17 Graduate and --

18 A. Back to where, Graduate?

19 Q. Graduate and the concerns you had about the  
 20 Graduate management people. You referred to  
 21 practices that were being engaged in by the  
 22 management that you didn't agree with, meaning the  
 23 Graduate management from your time on the St.  
 24 Christopher's board. Can you remember what -- were  
 25 there any particular practices that you had in mind

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1 Ralph W. Brenner, Esquire  
 2 when you said that?

3 A. Well, I was referring as much to the personal  
 4 practices of the management, which were, in my  
 5 judgment, inappropriate or somewhat tortured  
 6 financial arrangements and I think the combination  
 7 of what I viewed as overly aggressive personalities  
 8 and interests in self-serving and some of what I  
 9 consider to be questionable arrangements they had  
 10 with other entities they were involved in and maybe  
 11 Graduate that I did not have the confidence in what  
 12 we might ultimately end up with if we acquired them.

13 Q. And if you recall what these questionable  
 14 arrangements were?

15 A. Not specifically. They were, you know, I  
 16 think some large financial arrangements being made,  
 17 bonuses to the thing, and I remember going in to the  
 18 chairman's suite, my suite being about half the size  
 19 of this, this room, and here was this huge facility.  
 20 I mean it looked like President Bush's room and then  
 21 off to the side was this what's called the  
 22 amphitheater with all kinds of stereo equipment and  
 23 movie projectors. Here was an entity which was  
 24 limping along and paying bonuses to themselves and,  
 25 you know, it just augered poorly because some of

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1 Ralph W. Brenner, Esquire  
 2 this came up -- and, by the way, it wasn't my  
 3 decision alone on the Graduate. It was my -- the  
 4 other people who were working with me in that  
 5 negotiation, Miles Turtz and Tony Gigliotti, and  
 6 others, who reached the same conclusion, and, by the  
 7 way, they were more generous in their views as  
 8 business than I am.

9 Q. Just to close out the record, who are the  
 10 actual management individuals at Graduate who you  
 11 are referring to?

12 A. Mr. X and Mr. Y. No, Howard -- Harold Cramer  
 13 was the chairman of the board, and I can't remember  
 14 the fellow's name, but he was the president of Medic  
 15 and a very well-known investor in Philadelphia. I  
 16 can't remember his name.

17 MR. FRIESEN: I don't have any further  
 18 questions. Thanks again.

19 THE WITNESS: Thank you again.

20 MS. MEADEN: Let me ask you this first,  
 21 are you going to read or waive?

22 MS. LANGER: I think he should have an  
 23 opportunity to read.

24 VIDEO TECHNICIAN: This concludes the  
 25 videotape deposition of Ralph W. Brenner. We are

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1 Ralph W. Brenner, Esquire  
 2 going off the record. The time is 3:51.  
 3 (Witness excused.)  
 4 (The deposition concluded at 3:51 p.m.)  
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1  
 2 I have read the foregoing transcript  
 3 of my deposition given on September 30, 2003,  
 4 and it is true, correct and complete, to the  
 5 best of my knowledge, recollection and belief,  
 6 except for the corrections noted hereon and/or  
 7 list of corrections, if any, attached on a  
 8 separate sheet herewith.  
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\_\_\_\_\_  
 RALPH W. BRENNER, ESQUIRE

Subscribed and sworn to  
 before me this \_\_\_\_ day  
 of \_\_\_\_\_, 2003.

\_\_\_\_\_  
 Notary Public

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# CERTIFICATE

1  
 2  
 3 I HEREBY CERTIFY that the proceedings,  
 4 evidence and objections are contained fully and  
 5 accurately in the stenographic notes taken by me  
 6 on September 30, 2003, and that this is a true  
 7 and correct transcript of same.  
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\_\_\_\_\_  
 Cynthia A. Whyte, RPR

(The foregoing certification of this  
 transcript does not apply to any reproduction of  
 the same by any means, unless under the direct  
 control and/or supervision of the certifying  
 reporter.)

**Brown Dep.**

**In The Matter Of:**

*AHERF v.  
PRICEWATERHOUSECOOPERS, LLP.*

---

*DOROTHY MCKENNA BROWN, ED.D.  
May 4, 2004*

---

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**BROWN, ED.D., DOROTHY MCKENNA**



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1 Dorothy McKenna Brown, Ed.D.

2 Q. Can you remember any reaction that you had  
3 when you read that?

4 MS. MEADEN: Objection.

5 A. Should I answer?

6 MS. MEADEN: Go ahead.

7 Q. Oh, yes.

8 MR. McCLENAHAN: The question is do you  
9 remember your reaction.

10 A. Yes, I do remember my reaction. As a  
11 trustee, I didn't enjoy reading about a major change  
12 in the newspaper, not knowing one thing about it,  
13 and I called a variety of people -- I can't tell you  
14 in what order, but the Philadelphia trustees, some  
15 of them, Leslie Miller who was then chair of the  
16 academic affairs committee, Claire Gargalli, Leon  
17 Sunstein, Bob Palmer, Al Martinelli; and we had sort  
18 of a back-and-forth conversation in different ways  
19 about it.

20 I called Sherif and I asked him why he  
21 had a board if he was going to have this kind of  
22 activity without consulting with the full board, not  
23 that I had a particular problem at that point with  
24 the acquisition because it seemed to fit, as this  
25 article goes on to relate, in with the vision, but

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1 Dorothy McKenna Brown, Ed.D.

2 boards are for comment in that kind of a situation I  
3 think.

4 He told me that he had the approval of  
5 the executive committee and he got quite annoyed and  
6 hung up.

7 Q. He hung up on you?

8 A. He hung up on me, called the next morning at  
9 5 o'clock to apologize.

10 And then we had a subsequent meeting,  
11 and I'm sure you have the minutes and whatever where  
12 he outlined the deal and how it would be handled and  
13 it would not jeopardize the AHERF financial  
14 stricture.

15 And the one thing that this doesn't say  
16 but I think was said somewhere in a meeting, that  
17 also coming with it would have been the money from  
18 the Graduate Foundation, which I think was close to  
19 a hundred million dollars, and it never did.

20 Q. It never did come?

21 A. It never did come, and I don't know that it  
22 was part of the official deal, but I just have a  
23 recollection of that in a conversation.

24 MS. MEADEN: I'm sorry. I don't mean to  
25 interrupt, but just to clarify, a recollection that

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1 Dorothy McKenna Brown, Ed.D.

2 someone had told you that that money was going to  
3 come --

4 THE WITNESS: That that foundation would  
5 also come with...

6 Q. Okay. Let me try and unpack a few of these.

7 The conversations with Miss Miller, Miss  
8 Gargalli, Mr. Sunstein, Mr. Palmer and  
9 Mr. Martinelli, these were all separate  
10 conversations?

11 A. Yes.

12 Q. There were no conference calls with more than  
13 one of them on the line?

14 A. No.

15 And some of them wrote letters to  
16 Sherif. I didn't. I called him. Some of them  
17 called and wrote letters.

18 Q. And you called each of those people: Miller,  
19 Gargalli, Sunstein, Palmer and Martinelli, before  
20 you called Sherif?

21 MR. McCLENAHAN: If you know.

22 A. I don't remember. I probably called one or  
23 two to say -- you know, because I thought was I  
24 asleep at the switch or at some meeting and I didn't  
25 hear this, and, you know, I can't tell you in what

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1 Dorothy McKenna Brown, Ed.D.

2 order I called, but none of those people had any  
3 knowledge of it.

4 Q. Let me just plumb your memory for a moment on  
5 each of these conversations. Maybe you don't  
6 remember anything about them, but maybe you do.

7 Let's start with Leslie Ann Miller. Do  
8 you remember any of the details of that  
9 conversation?

10 A. No. As I remember it now -- I don't know how  
11 many years we are going back -- they were pretty  
12 much the same. There was just a general concern  
13 that things of major importance were being  
14 undertaken without discussing it with the full  
15 board.

16 Q. And each of those people had that --

17 A. They had that same feeling.

18 Q. -- agreed with you?

19 A. You know, we didn't say, oh, it is going to  
20 lose this much money or we are going to have to  
21 spend or anything like that; it was really with  
22 where the board fit in all of this activity.

23 Q. Can you remember anything specifically about  
24 your conversation with Miss Gargalli other than what  
25 you have already said?

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1 Dorothy McKenna Brown, Ed.D.  
 2 money?  
 3 MS. MEADEN: Objection.  
 4 A. Yes. I'm sure they showed us important  
 5 financial information, but, again, it was -- you say  
 6 acquisition and in my mind that says that you're  
 7 bringing it right into the total, and we weren't  
 8 doing that. That I was aware of.  
 9 Q. So when you approved it, you did not consider  
 10 it to be a high-risk case as this article --  
 11 A. Not for AHERF.  
 12 Q. -- called it?  
 13 MS. MEADEN: If I could get my objection  
 14 to the question in, please.  
 15 I'm sorry.  
 16 Q. Do you know if anyone at AHERF spoke to any  
 17 of these local healthcare analysts who were quoted  
 18 in the newspaper as saying it was a high-risk case  
 19 for AHERF?  
 20 MS. MEADEN: Objection.  
 21 MR. McCLENAHAN: I'm sorry. What was  
 22 your question about that?  
 23 MR. FRIESEN: Whether she knows whether  
 24 anyone in AHERF spoke to any of these local  
 25 healthcare analysts who were quoted in the newspaper

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1 Dorothy McKenna Brown, Ed.D.  
 2 article as saying that AHERF was taking on a  
 3 high-risk case.  
 4 MS. MEADEN: Objection.  
 5 A. No, I don't remember.  
 6 Q. And you never spoke to any of these people?  
 7 A. No.  
 8 MR. McCLENAHAN: I'm going to object to  
 9 the form of that question. I don't see in here any  
 10 consultant who characterizes it as a high risk.  
 11 Q. Well, the first paragraph says, "The  
 12 Allegheny Health, Education and Research Foundation  
 13 is about to take on a high-risk case in the Graduate  
 14 Health System according to the diagnosis of local  
 15 healthcare analysts." That's what I'm talking  
 16 about.  
 17 MR. McCLENAHAN: Yes, and that's what  
 18 the newspaper writer wrote.  
 19 MR. FRIESEN: Correct.  
 20 MR. McCLENAHAN: But they then go on to  
 21 quote several healthcare consultants, and I haven't  
 22 seen a single one who characterized it as high risk.  
 23 MS. MEADEN: Right, and your question  
 24 related to quotes from the healthcare consultants.  
 25 MR. McCLENAHAN: Right, not the

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1 Dorothy McKenna Brown, Ed.D.  
 2 newspaper people.  
 3 MS. MEADEN: Right. That was the basis  
 4 for my objection as well.  
 5 Q. Are you aware of anyone who called the  
 6 newspaper and said, "Please let me know which local  
 7 healthcare analysts" --  
 8 A. No.  
 9 Q. -- "said that it was a high-risk case"?  
 10 A. No.  
 11 MS. MEADEN: Objection. Again, it  
 12 implies that someone said directly that other than  
 13 the author of the article.  
 14 Q. And no one spoke to the author of the article  
 15 that you know of?  
 16 A. No.  
 17 Q. By the time you voted -- well, let me strike  
 18 that.  
 19 Did, to your recollection, anyone  
 20 dissent, meaning vote no, on the issue of the final  
 21 acquisition of Graduate Hospital System?  
 22 MS. MEADEN: Objection as to form.  
 23 A. I have no idea.  
 24 Q. But you don't recall that happening?  
 25 A. No.

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1 Dorothy McKenna Brown, Ed.D.  
 2 MS. MEADEN: Objection. Again, I think  
 3 it mischaracterizes what the board was asked to do  
 4 at the board meeting where that issue was discussed.  
 5 Q. Well, then let me bring out the board  
 6 minutes. I was hoping to avoid this, but here we  
 7 go.  
 8 A. There goes the fire alarm.  
 9 VIDEO TECHNICIAN: We are now going off  
 10 the video record. The time 10:31.  
 11 (Short recess.)  
 12 VIDEO TECHNICIAN: Back on. The time  
 13 10:46.  
 14 BY MR. FRIESEN:  
 15 Q. Dr. Brown, did you tell any of the other  
 16 trustees that Mr. Abdelhak had hung up on you?  
 17 A. Probably.  
 18 Q. Do you recall any reactions that any of them  
 19 had?  
 20 A. No.  
 21 Q. Did you think of resigning from the board  
 22 after he did that to you?  
 23 A. No.  
 24 Q. Did you think of firing him?  
 25 A. No.

13 (Pages 46 to 49)



<p style="text-align: right;">Page 50</p> <p>1 Dorothy McKenna Brown, Ed.D.  2 Q. Let me show you a document that has  3 previously been marked as Exhibit 1988. These are  4 board materials for a special meeting of the board  5 of trustees that was to be held September 16, 1996.  6 And let me just show you the minutes from that  7 meeting as well while we are at it, which is Exhibit  8 829.  9 MR. McCLENAHAN: So the first document  10 is the board packet and the second is the minutes of  11 the same meeting?  12 MR. FRIESEN: That is correct.  13 Q. Now, let me direct you to the minutes first,  14 Exhibit 829. You will see that these minutes for  15 the meeting held on September 16, 1996 show that you  16 are listed under "Members Absent"?  17 A. Yes.  18 Q. Would it be your practice, if you were not  19 going to go to a meeting, to read the board  20 materials in any event?  21 A. Yes, I would try to.  22 Q. And would it be your practice if you missed a  23 meeting to read the minutes of that meeting  24 afterwards --  25 A. Yes.</p>	<p style="text-align: right;">Page 52</p> <p>1 Dorothy McKenna Brown, Ed.D.  2 board for approval in December."  3 Do you recall -- even though I know you  4 were not at this meeting, do you recall that it was  5 actually brought to the board's attention twice,  6 once here and again in December of that year?  7 MS. MEADEN: Objection.  8 MR. McCLENAHAN: I object as well.  9 You can answer the question if you --  10 A. I don't remember specifically when it would  11 have been brought to the board's attention.  12 Q. If you could just look at the other document  13 in front of you, which are the board materials for  14 the September meeting, the page ending in 788 at the  15 bottom, there is an agenda?  16 A. Oh, the agenda; I'm sorry.  17 Q. Right.  18 And Roman Numeral VI says,  19 "Consolidation with Graduate Health Systems  20 Subsidiaries, Action Required," and it says  21 "Information"?  22 A. Right.  23 Q. And let me just point you to that. That  24 starts at the page ending in 906. And you will see  25 there are some pages of financial information about</p>
<p style="text-align: right;">Page 51</p> <p>1 Dorothy McKenna Brown, Ed.D.  2 Q. -- to see what you missed?  3 For the record, if you could just look  4 through these minutes and tell me if you think that  5 this listing of you as absent is inconsistent with  6 your memory. In other words, do you think you were  7 really there even though you are listed as not  8 there?  9 A. I think I would have pointed it out at a  10 subsequent meeting that the minutes were incorrect,  11 if I was not listed appropriately.  12 Q. And you will see on Page -- the page ending  13 in 920 at the bottom, Roman Numeral VI, it says,  14 "Consolidation with Graduate Health Systems  15 Subsidiaries." And that paragraph discusses an  16 informational update to the trustees that Mr.  17 Abdelhak gave.  18 And in that paragraph --  19 MR. McCLENAHAN: Well, let her finish  20 the paragraph.  21 MR. FRIESEN: Okay.  22 Q. In the paragraph about halfway through, it  23 says, "Mr. Abdelhak stated that he expects to bring  24 a recommendation on the details of what components  25 of Graduate will ultimately move into AHERF to the</p>	<p style="text-align: right;">Page 53</p> <p>1 Dorothy McKenna Brown, Ed.D.  2 the Graduate Health System.  3 My first question is, do you recall  4 seeing this information back in September of 1996?  5 A. Not specifically, but if I received it, I  6 looked at it.  7 Q. If you look at the page ending in 908, you  8 will see it shows a loss from operations, third  9 column -- sorry -- the third row from the bottom.  10 And if you go over to the far right, the combined  11 loss from operations for the Graduate system was a  12 little over \$20 million?  13 A. Uh-huh.  14 MS. MEADEN: I'm going to object to the  15 form because the title says "Graduate Health System  16 Entities to Be Acquired by SDN." I'm not sure if  17 that's all or part of the Graduate Healthcare  18 System.  19 MR. FRIESEN: Okay. That's fair enough.  20 Q. The "Graduate Health System Entities to Be  21 Acquired by SDN," which is the name that you  22 referred to earlier. Do you see there is a loss  23 from operations for the eleven months ended May 31,  24 1996 for \$20,124,000?  25 A. Yes.</p>

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1 Dorothy McKenna Brown, Ed.D.  
 2 correct?  
 3 A. Yes, yes.  
 4 Q. And was there an audit committee of Rosemont  
 5 College?  
 6 A. No; it was all done within the finance  
 7 committee.  
 8 Q. So it was the finance committee that had the  
 9 primary interaction --  
 10 A. Right.  
 11 Q. -- with the auditors, correct?  
 12 A. No; we did not meet with them. The finance  
 13 committee did not meet with them every year.  
 14 At Catholic Social Service they do.  
 15 Q. And at Rosemont the auditors were commenting  
 16 on basically operations of Rosemont College?  
 17 A. Well, they were commenting on a primary  
 18 source of income, that it was diminished that year  
 19 and if that trend kept up, we would have a problem  
 20 down the road and it was -- I mean, the board  
 21 already knew it. We had talked about it and so  
 22 forth, but they just felt obliged to...  
 23 Q. Did the board do anything in response or did  
 24 you as president of the board --  
 25 A. Well, we were planning and doing new

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1 Dorothy McKenna Brown, Ed.D.  
 2 initiatives and recruiting and so forth and it did  
 3 not continue to be a major problem.  
 4 Q. And when you were at -- I'm sorry -- Catholic  
 5 Social Services, do you recall an instance where the  
 6 auditors ever asked to speak directly to the board?  
 7 A. Well, we meet with them for at least two  
 8 hours as a finance committee.  
 9 Q. Again, in that organization --  
 10 A. We do the audit.  
 11 Q. The finance committee did the audit?  
 12 A. Does the audit, yes.  
 13 Q. And was that something that was done in  
 14 executive session when the finance committee met  
 15 with the auditors?  
 16 A. Well, they come in. We review the year's  
 17 results. The chief financial officer is there and  
 18 maybe one of his assistants, the head of Catholic  
 19 Social Service, the assistant, and so forth. And so  
 20 we have this conversation and ask questions and so  
 21 forth.  
 22 Then we ask all management to leave and  
 23 we have a session with the auditors.  
 24 Then we ask the auditors to leave and we  
 25 have a session with management to make sure that

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1 Dorothy McKenna Brown, Ed.D.  
 2 they are comfortable with the audit, that they are  
 3 confident that it is a fair representation of what  
 4 is going on. We ask if there are any unusual  
 5 occurrences, that sort of thing.  
 6 Q. During your tenure with Catholic Services,  
 7 did the auditors ever raise any issue concerning the  
 8 integrity of management --  
 9 A. No.  
 10 Q. -- or the integrity of the financial  
 11 statements --  
 12 A. No.  
 13 Q. -- that were presented to them for review?  
 14 A. No.  
 15 Q. And at Provident Mutual Life Insurance  
 16 Company I think you said that there was an issue  
 17 about the way something was being reflected on the  
 18 corporate books; is that correct?  
 19 A. Uh-huh.  
 20 Q. And the auditors came and spoke to the board  
 21 as a whole or to the audit committee?  
 22 A. I think that the partner in charge came and  
 23 spoke to the whole board. You know, it was not a  
 24 several-hour meeting. It was like a ten-minute  
 25 meeting, and it was resolved.

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1 Dorothy McKenna Brown, Ed.D.  
 2 Q. And it was an informational issue as to why  
 3 something was being --  
 4 A. Uh-huh.  
 5 Q. Do you recall, was there a disagreement  
 6 between the auditors and management as to how this  
 7 particular --  
 8 A. I think so, yes.  
 9 Q. -- how this particular entry should be  
 10 reflected on the financial statements?  
 11 A. Yes.  
 12 Q. And were you, as a member of that board,  
 13 concerned about this disagreement between the two?  
 14 A. No, no. It seemed very professional, their  
 15 presentation and the conversation and the ultimate  
 16 solution.  
 17 Again, I say I'm not an accountant. So  
 18 sometimes the vocabulary is difficult, but the  
 19 concepts I think I understand.  
 20 Q. Now, as a member of the AHERF board, there  
 21 were a variety of committees --  
 22 A. Right.  
 23 Q. -- for that board as well. You served on  
 24 some of those, as I understand it.  
 25 You've never served or you never served

40 (Pages 154 to 157)



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1 Dorothy McKenna Brown, Ed.D.  
 2 as a member of the audit committee of the AHERF  
 3 board --  
 4 A. No.  
 5 Q. -- correct?  
 6 A. No.  
 7 Q. And you were never on the finance committee  
 8 of the --  
 9 A. No.  
 10 Q. -- AHERF board, correct?  
 11 A. No.  
 12 Q. Did you ever serve on the executive committee  
 13 of the AHERF board?  
 14 A. No.  
 15 Q. Did you have any understanding as to what the  
 16 role of the AHERF audit committee was?  
 17 A. I'm sure we were given their bylaws at some  
 18 point, but I can't recite them.  
 19 Q. Well, let me try and break it down then.  
 20 Did you have any understanding as to  
 21 whether the audit committee was the primary  
 22 committee that was going to interact with the  
 23 outside auditors?  
 24 A. I don't remember thinking about it. I mean,  
 25 I just assumed that's what they would do.

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1 Dorothy McKenna Brown, Ed.D.  
 2 Q. Do you recall that it was the audit committee  
 3 that would recommend to the board as a whole which  
 4 outside auditing firm should be retained as the  
 5 entity's independent auditors?  
 6 A. I assume that's where it came from because I  
 7 do remember Coopers being recommended and the board  
 8 approving it, yes.  
 9 Q. And do you recall the audit committee each  
 10 year presenting the audited financial statements to  
 11 the board as a whole for approval?  
 12 A. Yes.  
 13 Q. And do you recall the audit committee  
 14 presenting each year the audit plan that had been  
 15 put together by the outside auditors to the board as  
 16 a whole for approval?  
 17 A. I don't have all of these boards in my head  
 18 and which one -- I can't swear to it. I assume they  
 19 did.  
 20 Q. And as a member of the AHERF board, did you,  
 21 in turn, rely on the audit committee then to  
 22 interact directly with the auditors --  
 23 A. Oh, yes.  
 24 Q. -- and be the first line of oversight?  
 25 A. Oh, yeah.

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1 Dorothy McKenna Brown, Ed.D.  
 2 Q. I think you answered this before, but just my  
 3 recollection is a bit hazy.  
 4 You don't recall being at any meeting at  
 5 which any of the auditors from Coopers & Lybrand  
 6 made --  
 7 A. No.  
 8 Q. -- any sort of presentation, correct?  
 9 A. I do not. The only time I ever remember  
 10 anyone from any outside agency being there was when  
 11 they reworked the bond issue, and I think it was  
 12 bond counsel that was present. If there was an  
 13 auditor in the room, I didn't identify that person  
 14 as such.  
 15 Q. Did you rely on the presentations made by  
 16 members of the audit committee to get an  
 17 understanding of how the audits of the enterprise  
 18 were progressing?  
 19 A. I don't recall them making very detailed  
 20 presentations. It was more -- and sometimes  
 21 management would present a report if the particular  
 22 person wasn't there that was the chair simply saying  
 23 "We have the recommendation of the committee. You  
 24 have the report in your packet. Are there any  
 25 questions?" There would always be a few, and

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1 Dorothy McKenna Brown, Ed.D.  
 2 then...  
 3 Q. Do you recall generally accepting the  
 4 recommendations --  
 5 A. Yes.  
 6 Q. -- that had been made by the audit committee  
 7 to the board as a whole?  
 8 A. Yes.  
 9 Q. Do you ever recall a situation where you  
 10 voted against a recommendation that had been made by  
 11 the audit committee to the board?  
 12 A. No.  
 13 Q. And was it your understanding that it would  
 14 be the audit committee in the first instance that  
 15 would address any issues or concerns that were  
 16 raised by the outside auditors about the financial  
 17 statements that had been presented to them for  
 18 review?  
 19 MR. FRIESEN: Objection.  
 20 A. I would assume so.  
 21 Q. This is a pretty -- going to sound like an  
 22 pretty elementary or rudimentary question, but I do  
 23 want to make sure we have on the record your  
 24 understanding as to what service an outside auditor  
 25 provides.

41 (Pages 158 to 161)

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1 Dorothy McKenna Brown, Ed.D.  
2 In particular in this case to the AHERF  
3 board, what did you understand the role of Coopers &  
4 Lybrand was as AHERF's outside auditors?  
5 A. They usually state it in the front letter  
6 what they have done and what they are responsible  
7 for, and I have seen probably at AHERF what they do  
8 not do, which always seems a much longer list than  
9 the one that they do do.  
10 But they were responsible for certifying  
11 that the statements were accurate in my view to the  
12 extent that they tested according to generally  
13 accepted accounting principles all the various  
14 financial documents in the institution.  
15 Q. Was it your understanding that the outside  
16 auditors presented an independent review of the  
17 entity's financial statements?  
18 A. Yes.  
19 Q. And it was your understanding that they  
20 either signed an opinion or they didn't --  
21 A. Right.  
22 Q. -- with respect to the --  
23 A. And if there was a problem, you would get an  
24 ongoing concern statement, which I'm sure we never  
25 got.

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1 Dorothy McKenna Brown, Ed.D.  
2 MR. FRIESEN: Let me lodge an objection  
3 to at least your half question.  
4 MS. MEADEN: I don't think I got it all  
5 out, but okay.  
6 Q. During your tenure as a board member, is it  
7 your recollection that Coopers & Lybrand always  
8 provided what was called a clean opinion --  
9 A. Yes.  
10 Q. -- on the AHERF financial statements?  
11 A. Yes.  
12 Q. And did you understand that clean opinion to  
13 be an opinion that the financial statements that  
14 were presented for audit fairly in all material  
15 respects reflected the financial position of AHERF?  
16 A. Yes.  
17 Q. In conformity also with generally accepted  
18 accounting principles, as you mentioned earlier,  
19 correct?  
20 A. Yes.  
21 Q. Do you have any view as to what the  
22 significance is of getting a clean opinion on an  
23 enterprise's financial statement?  
24 MR. FRIESEN: Objection.  
25 A. Could you say it again?

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1 Dorothy McKenna Brown, Ed.D.  
2 Q. Sure. Let me try and rephrase it.  
3 In your view and based on your  
4 experience as the head of various organizations and  
5 as a member of both for-profit and not-for-profit  
6 boards, what is your view as to the importance or  
7 the significance of getting a clean opinion from an  
8 outside auditing company on an entity's financial  
9 statements?  
10 A. I think it's very important.  
11 Q. Could you explain for me why?  
12 A. Well, in the educational world you need it  
13 for your accreditation. You need it to be eligible  
14 for various kinds of federal funding, for student  
15 aid, for grants, for research, and whatever.  
16 Various funders like foundations will ask for your  
17 audit report. They are obviously not going to put  
18 money into a sinking ship.  
19 Those are the things that immediately  
20 come to my mind, and I think they provide a measure  
21 of -- I don't want to say comfort, but a sense to  
22 the trustees that, yes, things are as they are being  
23 presented.  
24 Q. And when you receive those clean opinions  
25 from Coopers & Lybrand each year, what significance,

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1 Dorothy McKenna Brown, Ed.D.  
2 if any, did you place on those when they reviewed  
3 AHERF's financial statements?  
4 A. That they were accurate, that it was an  
5 accurate representation.  
6 Q. Did you use the financial statements in any  
7 way to discharge your duties as a trustee of AHERF?  
8 A. No, no.  
9 Q. You didn't use them then as a measure to see  
10 how well or how poorly the organization was doing in  
11 integrating these entities that it was bringing in?  
12 A. No.  
13 Q. Did you have any understanding as to whether  
14 those audited financial statements of AHERF's were  
15 being used by any entities or persons outside the  
16 AHERF system?  
17 A. Well, I would assume they were by all the  
18 entities that I listed --  
19 Q. The lenders?  
20 A. -- the federal and state government, the  
21 foundations.  
22 Q. Lenders?  
23 A. Private donors, lenders.  
24 Q. Ratings agencies, bond rating agencies?  
25 A. I guess. I don't know that much about rating

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1 Dorothy McKenna Brown, Ed.D.  
 2 agencies.  
 3 Q. Again, based on your experience, both your  
 4 employment experience and your experience as a  
 5 member of boards of for-profit and not-for-profit  
 6 entities, did you have any expectations as to the  
 7 types of things that Coopers & Lybrand as AHERF's  
 8 outside auditors should bring or should have brought  
 9 to the attention of the audit committee or the  
 10 board?  
 11 A. Specifically, no.  
 12 MR. FRIESEN: Let me just get you to  
 13 finish your question, and I will object if it's  
 14 objectionable, and then you can answer it, if you  
 15 don't mind.  
 16 MS. MEADEN: I think I did finish it.  
 17 MR. FRIESEN: Then I object.  
 18 Q. If you need to have it read back, we can?  
 19 THE WITNESS: Would you please read it,  
 20 please?  
 21 (The court reporter read the last  
 22 question.)  
 23 MR. FRIESEN: Objection.  
 24 A. Specifically, no.  
 25 Q. Let me give you some examples then.

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1 Dorothy McKenna Brown, Ed.D.  
 2 Would you have expected Coopers &  
 3 Lybrand, if they had found material misstatements in  
 4 the financial statements that had been presented to  
 5 them for audit, to have brought that to the  
 6 attention --  
 7 A. Oh, absolutely.  
 8 Q. -- of the audit committee or the board as a  
 9 whole?  
 10 MR. FRIESEN: Objection.  
 11 A. Yes.  
 12 Q. And if Coopers & Lybrand had found  
 13 intentional misstatements in the financial  
 14 statements that had been presented to them for  
 15 audit, would you have expected Coopers & Lybrand to  
 16 bring that to the attention of the audit committee?  
 17 A. Yes.  
 18 MR. FRIESEN: I have to raise my hand.  
 19 THE WITNESS: I'm sorry.  
 20 MR. FRIESEN: Objection.  
 21 Q. And if Coopers & Lybrand had uncovered issues  
 22 reflecting upon the competency of financial  
 23 management during the course of their audit of  
 24 AHERF's financial statements, would you have  
 25 expected Coopers & Lybrand to bring that to the

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1 Dorothy McKenna Brown, Ed.D.  
 2 attention of the audit committee?  
 3 MR. FRIESEN: Objection.  
 4 A. Yes.  
 5 Q. And I'll use a little bit of shorthand here.  
 6 Would you have expected Coopers to have  
 7 brought to the attention of the audit committee any  
 8 issues they uncovered reflecting upon the integrity  
 9 of AHERF's financial management to AHERF audit  
 10 committee?  
 11 A. Yes.  
 12 MR. FRIESEN: Objection.  
 13 Q. And would the same be true if Coopers &  
 14 Lybrand had uncovered fraudulent conduct on the part  
 15 of AHERF's financial management; would you have  
 16 expected Coopers to bring that to the attention of  
 17 the audit committee?  
 18 MR. FRIESEN: Objection.  
 19 A. Yes.  
 20 Q. Now, at any time during your tenure on the  
 21 AHERF board or as interim president of the  
 22 university, had you ever heard that Coopers &  
 23 Lybrand had raised any of those issues we just  
 24 discussed with anyone on the AHERF board?  
 25 MR. FRIESEN: Objection.

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1 Dorothy McKenna Brown, Ed.D.  
 2 A. No.  
 3 Q. Now, if Coopers & Lybrand had brought such  
 4 matters to the attention of the audit committee,  
 5 would it -- would you have expected the audit  
 6 committee to conduct an investigation into those  
 7 issues raised by Coopers?  
 8 MR. FRIESEN: Objection.  
 9 A. Yes.  
 10 Q. And is it your belief that the committee  
 11 would have conducted a thorough investigation of  
 12 such matters?  
 13 MR. FRIESEN: Objection.  
 14 A. Yes.  
 15 Q. And based on some of your testimony earlier  
 16 today, I sensed that you were never hesitant, if  
 17 issues were presented to you that you were concerned  
 18 about, to inquire further and get answers to the  
 19 questions you had, correct?  
 20 MR. FRIESEN: Objection.  
 21 A. Yes.  
 22 Q. That's a fair statement?  
 23 A. Yes. Why wouldn't I?  
 24 Q. Right, right.  
 25 So if you had ever heard that these

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1 Dorothy McKenna Brown, Ed.D.  
 2 issues that I listed earlier had been raised by  
 3 AHERF's outside auditors and that came to your  
 4 attention, do you believe that you would have either  
 5 conducted an investigation on your own or gone to  
 6 people to insist that they conduct -- the  
 7 appropriate people to insist they conduct such an  
 8 investigation?  
 9 MR. FRIESEN: Objection. Calls for  
 10 speculation.  
 11 A. Yes; not on my own, but I would have gone to  
 12 people that I thought were qualified to do such a  
 13 thing.  
 14 Q. And that would have been members of the audit  
 15 committee?  
 16 A. Right, or the resources.  
 17 Q. Resource management committee, is that what  
 18 you meant?  
 19 A. Committee. I keep calling it a finance  
 20 committee in my head, but it was resources.  
 21 Q. But that's what you were talking about?  
 22 A. Yeah.  
 23 Q. And you certainly would have wanted to know  
 24 what the results of that investigation were had one  
 25 been conducted, correct?

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1 Dorothy McKenna Brown, Ed.D.  
 2 MR. FRIESEN: Objection.  
 3 A. Yes.  
 4 Sorry.  
 5 Q. Do you have any reason to believe that if  
 6 Coopers & Lybrand had ever raised any of these  
 7 issues with the audit committee at AHERF that the  
 8 audit committee would not have conducted any  
 9 investigation into those allegations?  
 10 MR. FRIESEN: Objection.  
 11 A. No.  
 12 Q. If the audit committee had heard such  
 13 allegations from Coopers & Lybrand and had conducted  
 14 such an investigation, it would have been your  
 15 expectation that they would then follow whatever  
 16 prudent course seemed dictated by the results of  
 17 that investigation, correct?  
 18 MR. FRIESEN: Objection.  
 19 A. Yes.  
 20 Q. And if at the end of such an investigation  
 21 the audit committee had come to the board and made a  
 22 recommendation to the board about a course of action  
 23 to follow and had sufficiently satisfied any  
 24 questions that you may have had, would you believe  
 25 that you would have followed the recommendation of

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1 Dorothy McKenna Brown, Ed.D.  
 2 the audit committee in that regard?  
 3 MR. FRIESEN: Objection.  
 4 A. Yes.  
 5 Q. Yes, you would have?  
 6 A. I would, yeah.  
 7 Q. Prior to the fall of 1998, did you ever have  
 8 any question as to the accuracy of AHERF's financial  
 9 statements?  
 10 A. No.  
 11 Q. Did you have any --  
 12 MR. FRIESEN: I'm sorry. Did you say  
 13 fall of 1998?  
 14 MS. MEADEN: Yes.  
 15 MR. FRIESEN: Objection.  
 16 Mischaracterizes the prior testimony.  
 17 MS. MEADEN: I didn't characterize her  
 18 testimony. I asked her a question if she had any.  
 19 MR. FRIESEN: Okay. Contradicts prior  
 20 testimony.  
 21 MS. MEADEN: I don't think it does, but  
 22 all right.  
 23 THE WITNESS: I don't think it does.  
 24 MR. McCLENAHAN: Let's just go to the  
 25 next question. We can have this debate later on.

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1 Dorothy McKenna Brown, Ed.D.  
 2 Q. Did you make any observations as to -- strike  
 3 that.  
 4 Did you come to understand at some point  
 5 that Mr. McConnell had been terminated, his  
 6 employment had been terminated at AHERF?  
 7 A. Yes.  
 8 Q. Did you have any understanding as to why his  
 9 employment was terminated?  
 10 A. No.  
 11 Q. Were you involved in the decision to  
 12 terminate his employment?  
 13 A. No.  
 14 Q. Do you recall during the summer and fall of  
 15 1998, late summer, early fall of 1998, there was  
 16 some question as to whether AHERF's 1997 audited  
 17 financial statements could continue to be relied  
 18 upon?  
 19 A. Yes.  
 20 Q. Tell me how you first learned of that.  
 21 A. I'm not sure. I may have read it in the  
 22 newspaper.  
 23 Q. Do you recall why it was that there was some  
 24 concern as to whether those financial statements  
 25 could continue to be relied upon?



<p style="text-align: right;">Page 174</p> <p>1 Dorothy McKenna Brown, Ed.D.</p> <p>2 A. No.</p> <p>3 Q. Do you recall that there was a public</p> <p>4 announcement made, I think in September of 1998,</p> <p>5 that those statements should no longer be relied</p> <p>6 upon, the audited financial statements of AHERF for</p> <p>7 fiscal year 1997?</p> <p>8 A. It's a bit of a blur, but I'm sure that I</p> <p>9 knew it when it was announced.</p> <p>10 Q. Were you involved at all in the decision to</p> <p>11 make that public announcement?</p> <p>12 A. No.</p> <p>13 Q. At some point in time did you come to</p> <p>14 question the thoroughness or the competency of</p> <p>15 Coopers &amp; Lybrand's audit of AHERF's financial</p> <p>16 statements?</p> <p>17 MR. FRIESEN: Objection.</p> <p>18 A. Only after that announcement that they had to</p> <p>19 recast them or --</p> <p>20 Q. Do you recall specifically --</p> <p>21 A. That would be in that September time frame.</p> <p>22 Q. Do you recall having any discussions with</p> <p>23 anyone on the AHERF board or within AHERF management</p> <p>24 about that issue?</p> <p>25 A. No.</p>	<p style="text-align: right;">Page 176</p> <p>1 Dorothy McKenna Brown, Ed.D.</p> <p>2 point, do we have enough money to do all of these</p> <p>3 things?</p> <p>4 A. Or sometime prior. In that time frame. I</p> <p>5 don't know if it was at that hearing or not.</p> <p>6 Q. And I think you said that someone answered</p> <p>7 with a definitive yes?</p> <p>8 A. I think it was Sherif.</p> <p>9 Q. That was my question. Do you recall who?</p> <p>10 A. Yes, I think it was Sherif, and I think he</p> <p>11 said we have plenty of money.</p> <p>12 Q. And do you recall until the fall of 1997 Mr.</p> <p>13 Abdelhak giving recurrent assurances to the board</p> <p>14 that the system was financially strong enough to</p> <p>15 absorb acquisitions of hospitals and acquisitions of</p> <p>16 physician practices?</p> <p>17 A. I can't quote him the way I did in that</p> <p>18 particular instance, but, yes, I have a sense that</p> <p>19 we were regularly assured that while there was a lot</p> <p>20 of work to be done, it could be done.</p> <p>21 Q. And, to be clear, you never heard from the</p> <p>22 outside auditors --</p> <p>23 A. No.</p> <p>24 Q. -- that Mr. Abdelhak's assurances in that</p> <p>25 regard were incorrect or inaccurate, correct?</p>
<p style="text-align: right;">Page 175</p> <p>1 Dorothy McKenna Brown, Ed.D.</p> <p>2 Q. During that same time period a decision was</p> <p>3 made not to continue to retain</p> <p>4 Pricewaterhousecoopers, which was the successor to</p> <p>5 Coopers &amp; Lybrand?</p> <p>6 A. Right.</p> <p>7 Q. Are you familiar with that decision?</p> <p>8 A. Yes.</p> <p>9 Q. Were you involved in that decision?</p> <p>10 A. No.</p> <p>11 Q. Did you have any understanding as to why that</p> <p>12 decision was made?</p> <p>13 A. I guess because there was a lack of</p> <p>14 satisfaction with the previous audit.</p> <p>15 Q. Did you have any conversations with anyone</p> <p>16 about that --</p> <p>17 A. No.</p> <p>18 Q. -- topic?</p> <p>19 At one point earlier today we were</p> <p>20 looking at Book 3 for a board meeting of 12/16/1994,</p> <p>21 and we don't need to refer to that, but I'm just</p> <p>22 trying to put in context your testimony. And I</p> <p>23 think Mr. Friesen was asking you questions about the</p> <p>24 physician practice acquisition, and I think your</p> <p>25 testimony was that you raised a question at that</p>	<p style="text-align: right;">Page 177</p> <p>1 Dorothy McKenna Brown, Ed.D.</p> <p>2 A. No.</p> <p>3 MR. FRIESEN: Objection.</p> <p>4 Q. Earlier this afternoon Mr. Friesen also</p> <p>5 showed you the 1996 audited financial statements,</p> <p>6 and, again, there is no need to go back and look at</p> <p>7 them. I'm just trying to put in context your</p> <p>8 testimony. And he asked you if you reviewed the</p> <p>9 financial statements as a practice when you got</p> <p>10 them. And I believe your testimony was you</p> <p>11 typically looked at the letter from the auditors and</p> <p>12 the balance sheet and then perhaps looked at</p> <p>13 footnotes if something caught your interest,</p> <p>14 correct?</p> <p>15 A. Yes.</p> <p>16 Q. And I think you said you expected highly</p> <p>17 unusual items to be pointed out by the finance</p> <p>18 committee?</p> <p>19 A. Or the audit committee.</p> <p>20 Q. Or the audit committee?</p> <p>21 A. Or the audit committee.</p> <p>22 Q. And did you in that same vein expect highly</p> <p>23 unusual items to be pointed out by the outside</p> <p>24 auditors?</p> <p>25 A. I would assume they would have been</p>

<p style="text-align: right;">Page 178</p> <p>1 Dorothy McKenna Brown, Ed.D.  2 pointed -- would have been pointed out to the audit  3 committee.  4 Q. By the outside auditors?  5 A. By the outside auditors.  6 Q. And, again, you are not aware of Coopers &amp;  7 Lybrand ever pointing --  8 A. No.  9 Q. -- out such highly unusual items to the audit  10 committee, correct?  11 A. No.  12 MR. FRIESEN: Objection.  13 MS. MEADEN: Thank you for your  14 patience, Dr. Brown. I don't have any further  15 questions at this point. Mr. Friesen may.  16 BY MR. FRIESEN:  17 Q. I just have a few.  18 I would like to clarify one thing, Dr.  19 Brown. In response to Miss Meaden's question, you  20 testified that prior to the fall of 1998 you  21 didn't -- I think you said you didn't believe that  22 any of AHERF's financial statements were inaccurate?  23 A. No, I think she asked if Coopers' financial  24 statements were inaccurate.  25 MS. MEADEN: The audited.</p>	<p style="text-align: right;">Page 180</p> <p>1 Dorothy McKenna Brown, Ed.D.  2 again?  3 A. Well --  4 MS. MEADEN: Objection. Vague.  5 Compound.  6 Go ahead.  7 A. I think there is a -- something you showed me  8 here --  9 Q. Right.  10 A. -- minutes that talk about the final  11 presentation by Sherif, if I'm not mistaken.  12 Q. Exhibit 832, which are the minutes of the  13 December 12, 1996.  14 A. Yes.  15 Q. Beginning on Page 743. That's right. Thank  16 you.  17 The paragraph on 743, the introduction  18 there says, "The president," meaning Mr. Abdelhak,  19 "reviewed the overall plans underway and steps taken  20 to date to accomplish the integration and  21 transaction of appropriate GHS activities to AHERF,  22 noting that final form of the reorganization will be  23 determined as current due diligence reviews and  24 other financial legal and operational analyses are  25 completed."</p>
<p style="text-align: right;">Page 179</p> <p>1 Dorothy McKenna Brown, Ed.D.  2 A. The audited.  3 Q. Well, what she said was financial statements,  4 and I want to be clear what we are talking about  5 here.  6 A. Okay.  7 Q. Did you mean in your answer to talk about  8 audited financial statements?  9 A. I meant audited financial statements. As I  10 indicated earlier, I had great concern when Sherif  11 said, quote, I don't have good numbers.  12 Q. That's what I was getting at, and that was  13 the source of my confusion.  14 The second question I have is with  15 respect to the timing of the Graduate acquisition.  16 The testimony that you gave about believing that  17 there was a period of time within which the Graduate  18 entities could be given back to prior management, I  19 think you testified in response to Miss Meaden's  20 questions that that was during the due diligence or  21 trial period?  22 A. Yes.  23 Q. Now, did you approve of the acquisition  24 beyond the trial period, or did you think that  25 beyond the trial period you would have to approve it</p>	<p style="text-align: right;">Page 181</p> <p>1 Dorothy McKenna Brown, Ed.D.  2 A. Yes.  3 Q. And then the resolution goes on.  4 A. For pages.  5 Q. Yes.  6 And my question -- and I can point you  7 to specific paragraphs of the resolution if you  8 like, but before I do that, my question is: Did you  9 understand that this resolution gave Mr. Abdelhak  10 the authority to finally fold the Graduate entities  11 into the AHERF system once due diligence was  12 complete? And if you like, I can point to specific  13 paragraphs.  14 MR. McCLENAHAN: If you have a current  15 recollection what this all meant in December of  16 1996 --  17 THE WITNESS: I don't have a current  18 recollection.  19 MR. FRIESEN: Well, it may help to look  20 at --  21 MR. McCLENAHAN: Let me finish.  22 -- then you can answer that question.  23 But unless you have such a current recollection or  24 unless counsel can specifically refresh your memory,  25 you shouldn't speculate on what these pages of</p>

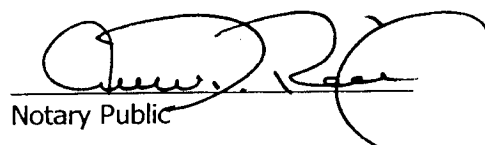


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1  
2 I have read the foregoing transcript  
3 of my deposition given on May 4, 2004, and it  
4 is true, correct and complete, to the best of  
5 my knowledge, recollection and belief, except  
6 for the corrections noted hereon and/or list of  
7 corrections, if any, attached on a separate  
8 sheet herewith.

9  
10   
11 DOROTHY MCKENNA BROWN, ED.D.  
12  
13  
14  
15  
16

17 Subscribed and sworn to  
18 before me this 30 day  
19 of JUNE, 2004.  
20

21   
22 Notary Public  
23  
24  
25

Notarial Seal  
Andrew P. Rolli, Jr., Notary Public  
Lower Merion Twp., Montgomery County  
My Commission Expires Oct. 22, 2006  
Member, Pennsylvania Association Of Notaries

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1  
2 CERTIFICATE

3 I HEREBY CERTIFY that the proceedings,  
4 evidence and objections are contained fully and  
5 accurately in the stenographic notes taken by me  
6 on May 4, 2004, and that this is a true and  
7 correct transcript of same.  
8  
9  
10  
11  
12

13 Cynthia A. Whyte, RPR  
14  
15

16 (The foregoing certification of this  
17 transcript does not apply to any reproduction of  
18 the same by any means, unless under the direct  
19 control and/or supervision of the certifying  
20 reporter.)  
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## DEPOSITION ERRATA SHEET

RE: THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF ALLEGHENY  
HEALTH, EDUCATION AND RESEARCH FOUNDATION VS.  
PRICEWATERHOUSECOOPERS, L.L.P.

The following corrections are in accordance with changes made by Dorothy McKenna Brown on the transcript, in lieu of an errata sheet. The transcript is signed by Ms. Brown to reflect approval of these changes. - G.M.V. 6/15/04

<u>Page/Line #</u>	<u>Amendment</u>	<u>Reason for Change</u>
9:6	"college" should read "art collection"	Error
54:19	"know" should read "want"	Error
120:11	Sentence should read, "Yes, as a member of AUHS, not the resource management committee."	Clarification
176:5	"heating" should read "meeting"	Error

**Buettner Dep.**

IN THE UNITED STATES DISTRICT COURT  
OF PENNSYLVANIA  
WESTERN DIVISION

THE OFFICIAL COMMITTEE OF  
UNSECURED CREDITORS OF  
ALLEGHENY HEALTH, EDUCATION  
& RESEARCH FOUNDATION,

Plaintiff,

Vs. Civil Action No. 00-684

PRICEWATERHOUSECOOPERS, LLP,

Defendant.

Videotaped deposition of WILLIAM F.  
BUETTNER, called for examination under the  
Applicable Rules of Federal Civil Procedure,  
taken before me, Michele E. Eddy, a Registered  
Professional Reporter and Notary Public in and  
for the State of Ohio, pursuant to notice and  
stipulations of counsel, at the offices of  
Jones Day, 500 Grant Street, Suite 3100,  
Pittsburgh, Pennsylvania, on Tuesday, the 22nd  
day of June, 2004, at 9:00 a.m.

- - - - -

<p style="text-align: right;">Page 2</p> <p>1 APPEARANCES:</p> <p>2</p> <p>3 On behalf of the Plaintiff:</p> <p>4 Jones Day, by</p> <p>5 JAMES M. JONES, ESQ.</p> <p>6 500 Grant Street, 31st Floor</p> <p>7 Pittsburgh, PA 15219</p> <p>8 (412) 391-3939</p> <p>9</p> <p>10 Jones Day, by</p> <p>11 DAVIS S. TORBORG, ESQ.</p> <p>12 51 Louisiana Avenue, NW</p> <p>13 Washington, D.C. 20001-2113</p> <p>14 (202) 879-3939</p> <p>15</p> <p>16</p> <p>17 ----</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	<p style="text-align: right;">Page 4</p> <p>1 THE VIDEOGRAPHER: Good morning.</p> <p>2 The time is 9:11. Today's date is June 22nd.</p> <p>3 We're here to take the deposition of William</p> <p>4 Buettner being held at Jones Day, One Mellon</p> <p>5 Center, Pittsburgh, PA in the matter of the 09:12:14</p> <p>6 Official Committee of Unsecured Creditors of</p> <p>7 the Allegheny Health, Education &amp; Research</p> <p>8 Foundation versus PricewaterhouseCoopers, LLP</p> <p>9 in the district -- U.S. District Court of</p> <p>10 Pennsylvania. Case Number 00-684. 09:12:26</p> <p>11 I'm the videographer. My</p> <p>12 name is DJ Trozzo. If counsel could</p> <p>13 please introduce themselves.</p> <p>14 MR. JONES: My name is Jim Jones.</p> <p>15 I'm here on behalf of the Committee, and I'm 09:12:36</p> <p>16 joined by David Torborg.</p> <p>17 MR. RYAN: Antony Ryan from</p> <p>18 Cravath, Swaine &amp; Moore on behalf of the</p> <p>19 defendant PricewaterhouseCoopers, LLP and the</p> <p>20 witness. And with me are Jeff Close from PwC 09:12:49</p> <p>21 and Lou -- Louis LaRocca from Cravath.</p> <p>22 MR. STROUP: Stephen Stroup. I'm</p> <p>23 counsel for Mr. Buettner along with Gregory</p> <p>24 Miller.</p> <p>25 THE VIDEOGRAPHER: If the court 09:13:05</p>
<p style="text-align: right;">Page 3</p> <p>1 APPEARANCES, Continued:</p> <p>2</p> <p>3 On behalf of the Defendant:</p> <p>4 Cravath, Swaine &amp; Moore, LLP, by</p> <p>5 ANTONY RYAN, ESQ.</p> <p>6 LOUIS LaROCCA, ESQ.</p> <p>7 Worldwide Plaza</p> <p>8 825 Eighth Avenue</p> <p>9 New York, New York 10019-7475</p> <p>10 (212) 474-1296</p> <p>11</p> <p>12 On behalf of the Witness:</p> <p>13 Miller, Alfano &amp; Raspanti, PC, by</p> <p>14 GREGORY P. MILLER, ESQ.</p> <p>15 STEPHEN G. STROUP, ESQ.</p> <p>16 1818 Market Street, Suite 3402</p> <p>17 Philadelphia, Pennsylvania 19103</p> <p>18 (215) 972-6400</p> <p>19 ----</p> <p>20 ALSO PRESENT:</p> <p>21 Jeffrey Close</p> <p>22 DJ Trozzo, Videographer</p> <p>23 ----</p> <p>24</p> <p>25</p>	<p style="text-align: right;">Page 5</p> <p>1 reporter would swear in the witness, we may</p> <p>2 proceed.</p> <p>3 WILLIAM F. BUETTNER, of lawful age,</p> <p>4 called for examination, as provided by the</p> <p>5 statute, being duly sworn, as hereinafter</p> <p>6 certified, said as follows:</p> <p>7 EXAMINATION OF WILLIAM F. BUETTNER</p> <p>8 BY MR. JONES:</p> <p>9 Q. Mr. Buettner, could you state your</p> <p>10 full name for the record, please? 09:13:18</p> <p>11 A. My name is William F. Buettner.</p> <p>12 Q. Good morning, Mr. Buettner. We met</p> <p>13 just a few moments ago. My name is James Jones</p> <p>14 or Jim Jones. I'm here on behalf of the</p> <p>15 Committee in the case you just heard 09:13:29</p> <p>16 referenced.</p> <p>17 I'm going to ask you a few</p> <p>18 questions today and for the better part of</p> <p>19 tomorrow, at least.</p> <p>20 You've had your deposition taken 09:13:37</p> <p>21 before?</p> <p>22 A. Yes, I have.</p> <p>23 Q. Here are just a few ground rules</p> <p>24 that I'm sure you understand but you can tell</p> <p>25 me whether you do or not. They are that if at 09:13:44</p>

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<p style="text-align: right;">Page 6</p> <p>1 any time you don't understand my question, 2 please stop me, tell me that. I'll do my best 3 to rephrase it so that we do understand one 4 another.</p> <p>5 Can we have that agreement? 09:13:56</p> <p>6 A. Yes.</p> <p>7 Q. Is there any reason this morning, 8 Mr. Buettner, that you would have difficulty 9 giving accurate testimony, and only by way of 10 example I mention perhaps medication or an 09:14:07 11 illness that you might be suffering from?</p> <p>12 A. No.</p> <p>13 Q. Mr. Buettner, what's your current 14 home address?</p> <p>15 A. I live in Cannonsburg, Pennsylvania 09:14:16 16 at 131 Jonathan Drive.</p> <p>17 Q. Do you have any intention of 18 leaving that address as your residential 19 address within the year?</p> <p>20 A. No plans at the current, no. 09:14:28</p> <p>21 Q. Do you have a current work address?</p> <p>22 A. No.</p> <p>23 Q. Are you currently employed?</p> <p>24 A. No, I am retired.</p> <p>25 Q. Are you employed anywhere in your 09:14:43</p>	<p style="text-align: right;">Page 8</p> <p>1 developed by PwC after the merger.</p> <p>2 Q. Were you full-time employed at 3 PricewaterhouseCoopers or its predecessor, 4 Coopers &amp; Lybrand, up until December 31, 2000?</p> <p>5 A. I was a partner, an active partner 09:16:02 6 up until December 31, 2000.</p> <p>7 Q. I appreciate that clarification. 8 Effective essentially what date or 9 what year were you elevated to the status of 10 partnership at Coopers &amp; Lybrand? 09:16:17</p> <p>11 A. October of 1984, I believe.</p> <p>12 Q. What I meant I guess by my question 13 or two before was, was there a time when you 14 were on a reduced time commitment to the 15 enterprise before retirement? 09:16:34</p> <p>16 A. I'm not sure I understand your 17 question, Mr. Jones. I was a full-time active 18 partner up until the time that I retired in 19 2000.</p> <p>20 Q. Since that time, have you received 09:17:01 21 compensation from PricewaterhouseCoopers in any 22 form other than the retirement benefits you 23 just mentioned since the time of your 24 retirement?</p> <p>25 A. Well, as part of my retirement 09:17:15</p>
<p style="text-align: right;">Page 7</p> <p>1 retirement? I assume when you said retired, 2 you meant from PricewaterhouseCoopers, is that 3 right?</p> <p>4 A. I am retired from 5 PricewaterhouseCoopers. 09:14:51</p> <p>6 Q. Are you, therefore, employed in any 7 other capacity?</p> <p>8 A. No, I am retired.</p> <p>9 Q. Do you have plans to seek 10 employment? 09:14:57</p> <p>11 A. Not at the present.</p> <p>12 Q. When did you retire, sir, from 13 PricewaterhouseCoopers?</p> <p>14 A. December 31, 2000, I believe is the 15 exact date. 09:15:16</p> <p>16 Q. You received some form of 17 retirement benefits from -- connected with your 18 work at PricewaterhouseCoopers over the years?</p> <p>19 A. Yes.</p> <p>20 Q. Generally, without telling me 09:15:27 21 particular amounts, what kinds of benefits will 22 you receive?</p> <p>23 A. A monthly pension payment based on 24 a pension plan that existed for Coopers &amp; 25 Lybrand and subsequently a plan that was 09:15:42</p>	<p style="text-align: right;">Page 9</p> <p>1 package, I received over a two-year period an 2 amount equal to one year of my last 3 compensation year, if you will.</p> <p>4 That payout, if you will, my 5 understanding was similar to the payout given 09:17:33 6 to all the individuals who retired at the same 7 time I did, or all the partners who retired at 8 that time. There was a group of roughly 85 9 partners, I believe, who were involved in an 10 early retirement package. And my understanding 09:17:55 11 is the terms I received in terms of that payout 12 was similar to what the other folks received.</p> <p>13 Q. Have you received any compensation 14 since December 31, 2000 related to work with 15 the firm PricewaterhouseCoopers or lawyers 09:18:09 16 representing the firm in connection with 17 litigation?</p> <p>18 A. None.</p> <p>19 Q. Including AHERF related litigation.</p> <p>20 A. None. 09:18:22</p> <p>21 Q. Therefore, you're not receiving any 22 compensation for your time here today?</p> <p>23 A. No.</p> <p>24 Q. You received no compensation in 25 connection with your time for preparing to be 09:18:35</p>

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William F. Buettner

Volume 1

<p style="text-align: right;">Page 18</p> <p>1 in the trial of the Pharmor matter?</p> <p>2 A. No.</p> <p>3 Q. That matter you understood to be</p> <p>4 pending here in a courthouse of Greater</p> <p>5 Pittsburgh? 09:28:40</p> <p>6 A. Yes.</p> <p>7 Q. What was your role in the Pharmor</p> <p>8 audits, as you recall it today, your formal</p> <p>9 role by way of title, whether engagement</p> <p>10 partner or the like? 09:29:04</p> <p>11 A. I was the concurring partner.</p> <p>12 Q. Was any other member of the</p> <p>13 engagement team with whom you worked on AHERF</p> <p>14 audits in '95, '96, '97 or '98, to the best of</p> <p>15 your recollection, also involved in the Pharmor 09:29:24</p> <p>16 audits at issue in the Pharmor case?</p> <p>17 A. I believe Mr. Kirstein worked on</p> <p>18 the account during some period of time. I</p> <p>19 don't know if the years he worked on the</p> <p>20 Pharmor account coincided with the two years 09:29:42</p> <p>21 that I worked as the concurring partner on the</p> <p>22 account.</p> <p>23 Q. What were those two years, if you</p> <p>24 recall today?</p> <p>25 A. I can't remember specifically, but 09:29:49</p>	<p style="text-align: right;">Page 20</p> <p>1 A. Correct.</p> <p>2 Q. Here in Pittsburgh?</p> <p>3 A. Yes.</p> <p>4 Q. What year did you graduate and with</p> <p>5 what degree? 09:31:00</p> <p>6 A. I graduated in 1972 with a</p> <p>7 Bachelor's in Accounting and in, I believe it's</p> <p>8 December of '73, with an MBA.</p> <p>9 Q. Did your MBA have a particular</p> <p>10 concentration? 09:31:24</p> <p>11 A. Finance.</p> <p>12 Q. Have you received further degrees</p> <p>13 from an institution of higher learning?</p> <p>14 A. No.</p> <p>15 Q. At some point you took and passed 09:31:38</p> <p>16 the CPA exam in Pennsylvania?</p> <p>17 A. That's correct.</p> <p>18 Q. Do you recall what year that was?</p> <p>19 A. Let's just say it's somewhere</p> <p>20 around 1975, '76. I can't give you a specific 09:31:50</p> <p>21 date.</p> <p>22 Q. Have you taken postgraduate course</p> <p>23 work at any other institution of higher</p> <p>24 learning other than your MBA?</p> <p>25 A. No. 09:32:16</p>
<p style="text-align: right;">Page 19</p> <p>1 it was either the late '80s or early '90s.</p> <p>2 Q. Any other member of the AHERF</p> <p>3 engagement's team during the '85 to '98 time</p> <p>4 period that you knew to be involved in the</p> <p>5 Pharmor account or the Pharmor audits? 09:30:02</p> <p>6 A. I can't recall anyone else</p> <p>7 specifically.</p> <p>8 Q. Mr. Buettner, we have asked for a</p> <p>9 resume or a CV, curriculum vitae, for you. I</p> <p>10 don't believe we've received one to date. We 09:30:25</p> <p>11 haven't found one in the many boxes of</p> <p>12 documents that have been produced.</p> <p>13 Do you have a CV current as of any</p> <p>14 date in the '90s?</p> <p>15 A. Well, yes, we had one in the '90s. 09:30:37</p> <p>16 I'm not sure if it survived my retirement or</p> <p>17 the move when we moved our offices.</p> <p>18 Q. Have you a copy with you anywhere</p> <p>19 in your files at home or elsewhere?</p> <p>20 A. No, I do not. 09:30:48</p> <p>21 Q. Let me ask you just a few questions</p> <p>22 and bear with me then since I don't have the</p> <p>23 benefit of that document.</p> <p>24 A. Sure.</p> <p>25 Q. You attended Duquesne University? 09:30:54</p>	<p style="text-align: right;">Page 21</p> <p>1 Q. As I understand it, your employment</p> <p>2 as a professional accountant has -- was</p> <p>3 throughout its entirety with either Coopers &amp;</p> <p>4 Lybrand or later PricewaterhouseCoopers, am I</p> <p>5 right? 09:32:21</p> <p>6 A. Well, no, not exactly. While I was</p> <p>7 going to Duquesne both in undergraduate and</p> <p>8 graduate school, I worked for a regional CPA</p> <p>9 firm called J.K. Lazier. That company</p> <p>10 subsequently merged with what's now Deloitte &amp; 09:32:39</p> <p>11 Touche. So I worked there for perhaps three</p> <p>12 and a half years, I would guess.</p> <p>13 Q. At which point then in your</p> <p>14 educational experience, was it post</p> <p>15 undergraduate or MBA, that you joined Coopers &amp; 09:32:57</p> <p>16 Lybrand?</p> <p>17 A. Post MBA.</p> <p>18 Q. How soon after you received your</p> <p>19 MBA did you then join Coopers &amp; Lybrand?</p> <p>20 A. Within weeks. 09:33:10</p> <p>21 Q. Then you were with them the</p> <p>22 remainder of your professional career as an</p> <p>23 accountant?</p> <p>24 A. Yes.</p> <p>25 Q. Them and then 09:33:22</p>

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William F. Buettner

Volume 1

<p style="text-align: right;">Page 22</p> <p>1 PricewaterhouseCoopers?</p> <p>2 A. Yes.</p> <p>3 Q. PricewaterhouseCoopers and Coopers</p> <p>4 &amp; Lybrand did the business combination that</p> <p>5 they did, I'll try not to describe it, at some 09:33:31</p> <p>6 point in July of '98, to the best of your</p> <p>7 recollection?</p> <p>8 A. That sounds about right. I'm not</p> <p>9 sure on the exact date, but that approximates</p> <p>10 my understanding. 09:33:45</p> <p>11 Q. You were always a member of the</p> <p>12 audit services or business assurance practice</p> <p>13 at Coopers &amp; Lybrand and</p> <p>14 PricewaterhouseCoopers?</p> <p>15 A. For the most part, yes. 09:34:01</p> <p>16 Q. When you say for the most part, how</p> <p>17 do you mean to qualify your answer?</p> <p>18 A. Well, the first two years with the</p> <p>19 firm I spent some time in the tax department of</p> <p>20 Coopers &amp; Lybrand. 09:34:12</p> <p>21 Q. After that point, you were strictly</p> <p>22 in the audit practice?</p> <p>23 A. Correct.</p> <p>24 Q. If I use business assurance only --</p> <p>25 I only use it because I've picked it up from 09:34:27</p>	<p style="text-align: right;">Page 24</p> <p>1 look at it you'll recognize it as an April 8,</p> <p>2 1996 memo or letter from the Coopers &amp; Lybrand</p> <p>3 firm to the audit committee of the Board of</p> <p>4 Trustees of the Allegheny Health, Education and</p> <p>5 Research Foundation signed by you for the firm 09:36:11</p> <p>6 with an attachment which appears to be an audit</p> <p>7 plan.</p> <p>8 I don't have very many questions on</p> <p>9 this. If you do me the favor and let me know</p> <p>10 if I'm right as far as I've gone, that would be 09:36:25</p> <p>11 helpful.</p> <p>12 A. Okay, I've looked at the document.</p> <p>13 Q. Is it indeed a letter to the audit</p> <p>14 committee at AHERF dated April 8, 1996 that has</p> <p>15 the Coopers &amp; Lybrand signature in your 09:37:18</p> <p>16 handwriting with an attachment?</p> <p>17 A. If you want to call it a letter.</p> <p>18 It's basically the outline of our audit plan</p> <p>19 that has the Coopers &amp; Lybrand signature, and</p> <p>20 I'm the one who signed the letter. 09:37:35</p> <p>21 Q. Thank you.</p> <p>22 And there are some handwritten</p> <p>23 notes, at least on the first couple pages of</p> <p>24 the letter or memo or plan, that are yours as</p> <p>25 well? 09:37:48</p>
<p style="text-align: right;">Page 23</p> <p>1 Coopers &amp; Lybrand auditors or manuals -- you</p> <p>2 understood that term to be synonymous or mean</p> <p>3 essentially the same thing as audit, is that</p> <p>4 fair to say?</p> <p>5 MR. RYAN: Objection. 09:34:39</p> <p>6 A. I was a member of the Coopers &amp;</p> <p>7 Lybrand audit staff. Once the merger occurred,</p> <p>8 terminologies may have changed. But I was</p> <p>9 primarily an audit partner for the period of</p> <p>10 time at Coopers &amp; Lybrand and at PwC. 09:34:55</p> <p>11 Q. Do you mean to tell me then by that</p> <p>12 answer that I've picked up the business</p> <p>13 assurance term, perhaps, from</p> <p>14 Pricewaterhouse -- former Pricewaterhouse</p> <p>15 auditors? 09:35:05</p> <p>16 A. No, I'm not. I'm not sure exactly</p> <p>17 where that term was created.</p> <p>18 - - - - -</p> <p>19 (Thereupon, Deposition</p> <p>20 Exhibit 4458 was marked for</p> <p>21 purposes of identification.)</p> <p>22 - - - - -</p> <p>23 Q. Mr. Buettner, I'm handing you now</p> <p>24 what's been marked as Exhibit 4458 in this</p> <p>25 action. I believe if I give you a moment to 09:35:54</p>	<p style="text-align: right;">Page 25</p> <p>1 A. Yes.</p> <p>2 Q. I'm going to refer you, sir, to the</p> <p>3 second page of the document, which ends with</p> <p>4 the Bates digits 237. In particular, to the</p> <p>5 paragraph that comes fifth on the page. It 09:38:05</p> <p>6 reads, "The engagement team is led by Bill</p> <p>7 Buettner." It goes on to describe your</p> <p>8 experience with the AHERF engagement.</p> <p>9 Do you see that?</p> <p>10 A. Yes, I do. 09:38:19</p> <p>11 Q. It tells us there that you have</p> <p>12 been the partner on the AHERF engagement for</p> <p>13 eight years as of this writing and a member of</p> <p>14 the AHERF engagement team for 17 years.</p> <p>15 Is that right? 09:38:30</p> <p>16 A. Yes, that's what it says.</p> <p>17 Q. Is that consistent with your</p> <p>18 recollection for the time period you were</p> <p>19 involved with the AHERF audit or the audit of</p> <p>20 AHERF or any of its predecessors? 09:38:40</p> <p>21 A. Yes, either AHERF or some</p> <p>22 organizations within the AHERF system, yes.</p> <p>23 Q. When we speak of AHERF today, so</p> <p>24 that we don't have to spell it out in longer</p> <p>25 terms, I will refer to the Allegheny Health, 09:38:59</p>

7 (Pages 22 to 25)

William F. Buettner

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<p style="text-align: right;">Page 26</p> <p>1 Education and Research Foundation or I will</p> <p>2 mean by AHERF that foundation and its</p> <p>3 predecessors. If I speak that way, will we</p> <p>4 understand each other?</p> <p>5 A. Yes. 09:39:10</p> <p>6 Q. Thank you.</p> <p>7 I will try to talk about individual</p> <p>8 hospitals either by their names or their</p> <p>9 initials like AGH for the Allegheny General</p> <p>10 Hospital. Is that a conversational way that 09:39:21</p> <p>11 you'll understand?</p> <p>12 A. Yes.</p> <p>13 Q. We'll also talk about obligated</p> <p>14 groups from time to time. When we do, I'll</p> <p>15 bring that up. 09:39:31</p> <p>16 When I speak of AHERF and only use</p> <p>17 the word AHERF, I will mean to the best of my</p> <p>18 ability to do it the broader organization and</p> <p>19 not just the parent company unless I say</p> <p>20 differently. 09:39:48</p> <p>21 Can we have that understanding?</p> <p>22 A. Yes.</p> <p>23 Q. Thank you.</p> <p>24 If the context is clearly</p> <p>25 different, please stop me and tell me you don't 09:39:48</p>	<p style="text-align: right;">Page 28</p> <p>1 believe it was Allegheny Health and Research</p> <p>2 Corporation at the time.</p> <p>3 I was the manager for a few years</p> <p>4 on Allegheny General, as well as the parent</p> <p>5 company of Allegheny General. I'm not sure if 09:41:10</p> <p>6 that was the corporation, the foundation or</p> <p>7 Allegheny Health Services. They had changed</p> <p>8 the name of the parent several times.</p> <p>9 I worked as the concurring partner</p> <p>10 for a couple of years on AGH and AHERF, I 09:41:25</p> <p>11 believe.</p> <p>12 Then when I became the partner on</p> <p>13 AGH, I assumed the responsibility for AHERF,</p> <p>14 the parent company with AGH, and we had fellow</p> <p>15 partners in Philadelphia performing the audit 09:41:43</p> <p>16 of the organizations out east, principally the</p> <p>17 Medical College of Pennsylvania.</p> <p>18 Q. Is the progression of your</p> <p>19 involvement such that you were the concurring</p> <p>20 partner for AGH and AHERF immediately before 09:41:59</p> <p>21 you became the engagement partner?</p> <p>22 A. I believe that's correct.</p> <p>23 Q. Do you -- strike that.</p> <p>24 During the '90s, were you also</p> <p>25 involved in the audit of other healthcare 09:42:32</p>
<p style="text-align: right;">Page 27</p> <p>1 understand the question and I'll do my best to</p> <p>2 clear it up for you.</p> <p>3 A. That's fine.</p> <p>4 Q. Thank you.</p> <p>5 When it says the engagement team 09:39:58</p> <p>6 was led by Bill Buettner who has been the</p> <p>7 partner on the AHERF engagement for eight</p> <p>8 years, I have one quick question on that.</p> <p>9 Does that mean you were the</p> <p>10 engagement partner for eight years prior to 09:40:09</p> <p>11 April 8, 1996 and is that consistent with your</p> <p>12 recollection?</p> <p>13 A. Yes.</p> <p>14 Q. You were involved in other</p> <p>15 capacities in the years prior? 09:40:22</p> <p>16 A. Yes.</p> <p>17 Q. In what other capacities had you</p> <p>18 been involved on AHERF audits before you became</p> <p>19 the engagement partner in a general way?</p> <p>20 A. I worked as the in-charge 09:40:36</p> <p>21 accountant back in the '70s on, I'll use some</p> <p>22 terms here that hopefully we'll understand what</p> <p>23 organizations we're talking about, but I was</p> <p>24 the in-charge accountant on AGH and the parent</p> <p>25 company at the time, which was not AHERF, but I 09:40:54</p>	<p style="text-align: right;">Page 29</p> <p>1 organizations or organizations that owned</p> <p>2 hospitals?</p> <p>3 A. Outside of AHERF?</p> <p>4 Q. Yes.</p> <p>5 A. Yes. 09:42:46</p> <p>6 Q. I have a list that we've compiled</p> <p>7 that may be drawn from either documents or</p> <p>8 other testimony. I just want to see if this</p> <p>9 refreshes your recollection about what those</p> <p>10 might be as opposed to giving you a memory test 09:43:00</p> <p>11 that might be unfair.</p> <p>12 I understand that you may have been</p> <p>13 the engagement partner for the Meadville</p> <p>14 Medical Center at some time during the '90s.</p> <p>15 Is that true? 09:43:11</p> <p>16 A. That's correct.</p> <p>17 Q. The Norwest Medical Center?</p> <p>18 A. Northwest.</p> <p>19 Q. Thank you.</p> <p>20 Northwest Medical Center? 09:43:17</p> <p>21 A. Yes.</p> <p>22 Q. Where is that located or was it</p> <p>23 located?</p> <p>24 A. Oil City/Franklin area of</p> <p>25 Pennsylvania. About two hours north of 09:43:26</p>

8 (Pages 26 to 29)

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1 yet. Folks in Phili were leaving. They  
 2 brought in a firm to try to outsource, if you  
 3 will, that process, billing process.  
 4 Apparently that did not work very well.  
 5 During that period of time, they 10:02:58  
 6 were also going into the various hospitals  
 7 within the eastern region and planning on some  
 8 sort of systems conversion from various systems  
 9 to SMS or an upgrade to the SMS system.  
 10 So you had multiple factors that 10:03:14  
 11 were influencing the organization's ability to  
 12 get a bill out the door. That was my  
 13 understanding of the issues.  
 14 Q. So this is your understanding going  
 15 into the '96 audit? 10:03:28  
 16 A. Yes, yes.  
 17 Q. Now, you said that it may have --  
 18 you may have had a different understanding  
 19 after the '96 audit was essentially completed.  
 20 What was that understanding of the 10:03:37  
 21 problems, if it's different?  
 22 A. Well, after we completed our audit  
 23 in '96, it became clear to, at least from our  
 24 work, that while the system upgrades could  
 25 cause some consternation and obviously the lack 10:03:53

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1 of billers caused some problems, that there was  
 2 also some significant training issue needs that  
 3 had to be met in the east and that the  
 4 registration process within the east needed  
 5 some significant work, patient registration. 10:04:07  
 6 Q. Mr. Buettner, could you turn with  
 7 me to the attachment which starts at the page  
 8 that has the ending Bates digits 239? Is this  
 9 attachment essentially what C&L folks referred  
 10 to? When I say C&L, I mean Coopers & Lybrand. 10:04:42  
 11 Do we understand each other there?  
 12 A. Yes.  
 13 Q. Referred to as an audit plan?  
 14 A. Well, it's an audit plan to be  
 15 reviewed with the audit committee, yes. 10:04:55  
 16 Q. I'm going to ask you to just tell  
 17 me what was meant by -- is this a document you  
 18 would have drafted or someone on your staff  
 19 would have drafted?  
 20 A. The managers would have drafted 10:05:08  
 21 this document. I would have reviewed it, and  
 22 we would have reached some sort of conclusion  
 23 on the content after that review.  
 24 Q. Is it the same drafting protocol  
 25 that would have been followed for the cover 10:05:20

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1 memo?  
 2 A. Yes.  
 3 Q. Do you have any idea today what is  
 4 meant by the second arrow on the second page  
 5 there which reads, "Provide management with 10:05:30  
 6 value-added services"? What were value-added  
 7 services in Coopers & Lybrand speak or at least  
 8 Coopers & Lybrand speak as it was intended to  
 9 be read by an audit committee?  
 10 A. Well, the first item would be the 10:05:43  
 11 issuance of some sort of what we would call  
 12 management comment letter. In other words, it  
 13 would be suggestions or ideas where the  
 14 organization could improve its system of  
 15 internal controls or its processing of whatever 10:05:58  
 16 they were processing in a particular area.  
 17 That would be what we would view as a byproduct  
 18 of our audit procedures.  
 19 Q. Anything else that that term means  
 20 to you, value-added services? 10:06:21  
 21 A. Well, that could vary upon the  
 22 needs of a particular organization and the  
 23 resources that the firms would have. We would  
 24 be on the look-out to see if there were other  
 25 things that we could provide that would be 10:06:26

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1 meaningful to the organization.  
 2 Q. It doesn't involve consulting  
 3 services?  
 4 A. No, not from an auditing  
 5 perspective. 10:06:36  
 6 Q. Let me ask you to flip to the page  
 7 that ends in the digits 241. Do you see the  
 8 patient receivables slash third-party is listed  
 9 under the category higher risk assessment?  
 10 A. Yes. 10:06:58  
 11 Q. Why would that be the case?  
 12 A. Well, within a healthcare  
 13 organization, we viewed, as a matter of course,  
 14 billing systems as well as dealing with the  
 15 third parties to be an area of higher risk. 10:07:15  
 16 I think as you mentioned earlier in  
 17 your questioning of me, receivables were an  
 18 important area of a healthcare provider, and  
 19 certainly we reviewed it as being a very  
 20 important area. 10:07:32  
 21 Q. I'm sorry, go ahead.  
 22 A. And there are inherent issues in  
 23 that process. I'm not talking control issues  
 24 or things of that nature. Just that they --  
 25 the complexity of the area makes it just a 10:07:45

13 (Pages 46 to 49)



<p style="text-align: right;">Page 50</p> <p>1 difficult area for management to manage. So we  2 provided a higher risk assessment to that area.  3 Q. When you say risk, what do you mean  4 by risk of what? What do you mean by that,  5 risk of what? 10:08:02  6 A. In other words, there's a greater  7 risk of what we considered to be an error or a  8 material misstatement in that error because of  9 the complexity, because of the environment.  10 Q. You've noted in handwriting -- I 10:08:19  11 believe the handwriting here is yours as well  12 on this page?  13 A. Yes, I believe so.  14 Q. Towards the bottom of the page on  15 the right-hand side, I think I read your 10:08:31  16 writing to say, "Increase A slash R, review  17 slash testing."  18 Have I done a capable job there?  19 A. Yes.  20 Q. What did you mean, if you can 10:08:43  21 recall, to convey by writing that note on the  22 document?  23 A. I'm not sure I understand your  24 question, sir.  25 Q. What did that mean -- what does 10:08:56</p>	<p style="text-align: right;">Page 52</p> <p>1 the plan?  2 A. They would have been written within  3 that time period. I can't tell you if it's a  4 week or a few days from April 8th, but within  5 that time period, yes. 10:10:21  6 Q. Thank you.  7 Do you recall different things that  8 Coopers &amp; Lybrand did or your engagement team  9 did in the area of testing accounts receivables  10 in '96 that had not been done in prior years? 10:10:30  11 A. Yes.  12 Q. What do you recall differently?  13 What do you recall that was different that had  14 been -- that was done in '96?  15 A. Well, we brought in -- let me -- 10:10:43  16 let me preface it by indicating I met with  17 management and indicated we wanted to do some  18 additional testing in certain areas. They  19 agreed.  20 Q. Who at management? 10:11:00  21 A. David McConnell.  22 Q. What did you indicate to him that  23 you would do differently --  24 A. Well, I --  25 Q. -- if you told him? 10:11:15</p>
<p style="text-align: right;">Page 51</p> <p>1 that mean to you?  2 A. We're going to increase the  3 accounts receivable review and testing. We're  4 going to do things in 1996 that we may not have  5 done in 1995 or we may not do normally. 10:09:10  6 Q. When do you believe, if you have  7 any recall today, you put these notes on this  8 document, that is the notes on the memo and the  9 notes on the plan?  10 A. I can't answer that specifically, 10:09:23  11 but I know some of the notes would have been  12 there to help me in my presentation or  13 discussion with the audit committee. I can't  14 tell you if all of them would have been there  15 at that point in time. I just can't remember. 10:09:39  16 Q. I know there are several notes,  17 you'll note lots of figures in the latter few  18 pages of the document.  19 Are those figures in your  20 handwriting as well, which start at least on 10:09:49  21 page 255?  22 A. Yes.  23 Q. Do you have any doubt, though, that  24 these notes were written within a few days or a  25 week or two of April 8, 1996 on the memo and on 10:10:02</p>	<p style="text-align: right;">Page 53</p> <p>1 A. Pardon me, if I --  2 Q. If you told him specifically what  3 you were planning to do differently.  4 A. Yes, I told him what I wanted to  5 do. It was basically that I felt that a large 10:11:28  6 sample of review of a sample of bills was  7 necessary so that we could gain a better  8 understanding of why bills were not getting out  9 the door.  10 Q. When you review a sample of bills, 10:11:39  11 what do you mean?  12 A. Well, review bills from the time  13 that the patient registered in the facility to  14 the time that the bill went out and eventually  15 the money was collected by the organization. 10:11:50  16 Q. Do you mean actually looking at  17 paper or electronic copies of bills or looking  18 at the billing process?  19 A. The billing process.  20 Q. Did you tell Mr. McConnell any 10:12:01  21 other new testing that you planned to do in the  22 accounts receivable area for '96?  23 A. We indicated we were going to bring  24 in specialists to perform that billing process  25 review. 10:12:18</p>

14 (Pages 50 to 53)